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Poultry and Products

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2008

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Report Highlights:

Mexico's overall production and consumption of chicken meat increased slightly in CY 2007. In terms of volume, U.S. exports of chicken meat to Mexico were down by roughly 11 percent in CY 2007, reflecting greater demand for the U.S.'s exportable supply from markets such as Russia and China, as well as greater domestic production capacity. However, due to higher global prices, the value of U.S. chicken exports to Mexico increased by nearly seven percent in CY 2007.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico City [MX1]
[MX]

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PS&D Table

PSD Table									
Country	Mexico								
Commodity	Poultry, Meat, Broiler (MIL HEAD)(1000 MT)(PERCENT)								
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2006			01/2007			01/2008		
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	2,592	2,592	2,592	2,656	2,656	2,730	2,722	2,722	2,825
Whole, Imports	0	0	0	0	0	0	0	0	0
Parts, Imports	430	430	430	415	415	400	425	425	400
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	430	430	430	415	415	400	425	425	400
Total Supply	3,022	3,022	3,022	3,071	3,071	3,130	3,147	3,147	3,225
Whole, Exports	0	0	0	0	0	0	0	0	0
Parts, Exports	1	1	6	1	1	9	1	0	12
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	1	1	6	1	1	9	1	0	12
Human Consumption	3,021	3,021	3,016	3,070	3,070	3,121	3,146	3,147	3,213
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	3,021	3,021	3,016	3,070	3,070	3,121	3,146	3,147	3,213
Total Use	3,022	3,022	3,022	3,071	3,071	3,130	3,147	3,147	3,225
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	3,022	3,022	3,022	3,071	3,071	3,130	3,147	3,147	3,225

Not official USDA data

SECTION I. SITUATION AND OUTLOOK

CHICKEN MEAT

PRODUCTION

Mexico's chicken meat production forecast for MY 2008 (Jan-Dec) was revised upward by 3.8 percent from the previous forecast to 2.8 MMT. Production had been underestimated because rapid changes in the global feed grain market have significantly driven up consumer demand for chicken meat, as a substitute for more expensive protein sources, such as red meats. Additionally, rapidly growing incomes in third-country markets such as China and Russia, and the resulting sharp increase in demand for chicken meat, have actually dampened imports from the United States, thus allowing domestic producers to supply the growing domestic demand. Furthermore, structural changes within the Mexican poultry production chain, namely consolidation and greater vertical integration, have also contributed to the increase in Mexican chicken production.

Between January 1, 2003, and December 31, 2007, Mexico and the United States maintained a voluntary safeguard agreement for chicken leg quarters (CLOs). This safeguard provided short term trade protection to producers in Mexico, allowing the industry to invest in modern technology and more efficient production practices.

Mexican producers have effectively taken advantage of their comparative strengths, such as being able to deliver fresh poultry, and understanding the unique characteristics of their consumers' tastes and preferences. This year the poultry industry will also benefit from the elimination of tariff rate quotas (TRQs) for U.S. corn. This policy change will allow the domestic industry to source feed grains from the best supplier, U.S. or domestic, at any given

moment. However, because of higher global grain prices, the total costs of production within the Mexican poultry industry will likely experience a marginal increase, resulting in more moderate growth compared to years past. The MY 2007 production estimate has been adjusted slightly upward based on final industry data. MY 2006 remains unchanged.

According to the Mexican Poultry Producers Association (UNA), MY 2006 feed consumption is estimated at 13.4 MMT, (8.4 MMT of feed grains, 2.7 MMT of oilseeds and protein meals, and 2.3 MMT of other raw materials). Preliminary UNA estimates indicate that feed consumption grew 2.2 percent in MY 2007 and is expected to grow by roughly the same percentage in MY 2008. Feed costs in Mexico represent 55 to 60 percent of the total cost of production. Poultry producers continue to be major users of imported feedstuffs from the United States. Producers indicate that 60 percent of their imports are comprised of sorghum and yellow corn, 23 percent from oilseeds and protein meals, and 17 percent from other products such as safflower, orthophosphate, calcium, and methionine. However, in 2008 the percentage of imported corn and sorghum could change depending on international grain and oilseed prices. Historically, Mexico has been a white corn producer and only a small percentage of its corn production has been utilized as animal feed, which has compelled the poultry industry to import grain from the United States. The surge in international corn prices starting in the fall of 2006 led to increases at the retail level for poultry and egg prices at the beginning of 2007. These price hikes are expected to continue throughout 2008. In addition to higher grain prices, higher prices for electricity, packing materials, and transportation costs continue to add to production costs.

Industry consolidation and investment in infrastructure are expected to continue, at a slower but steady pace, in the medium-term. In an effort to cope with high input prices, large and medium-size companies will likely merge into cooperatives and associations, integrating small producers into their productive process as contract producers.

CONSUMPTION

Chicken producers continue to enjoy favorable demand for their products. Chicken meat consumption for MY 2008 is forecast to increase by 2.1 percent due to several factors, including population growth, the affordability of chicken relative to other meats, effective marketing campaigns, increased usage in processed food products, and improved product quality. Increased consumer concerns about cholesterol and other health issues are also creating more marketing opportunities for chicken meat. Supermarkets continue displaying imported poultry meat, including CLQs, along with domestic produce.

The MY 2007 domestic consumption estimate was revised upward from previous estimates, due to an increase in demand for value-added products, reflecting a population that is broadening its consumption patterns. MY 2006 consumption was revised downward to reflect recently update official export figures for value-added products.

The average price for CLQs in Mexico City in CY 2007 was U.S. \$0.98/lb. Wholesale CLQ prices in Mexico City fluctuated throughout CY 2007, the lowest point having been in March, when CLQs sold for about U.S. \$0.75/lb. CLQ prices peaked in May at roughly U.S. \$1.38/lb. Broilers sold in wet markets at prices ranging from U.S. \$0.87 to \$1.24 per pound. The average broiler price in 2007 was U.S. \$ 1.01. The UNA estimates that the average per capita consumption for chicken increased to 57.15 lb. in 2007, slightly higher than the original estimate of 55.66 lb per capita. In light of the expected economic deceleration in Mexico, combined with high international corn prices, per capita consumption for 2008 is forecast to show similar levels to those of 2007. However poultry meat will continue to be cheaper compared to other protein sources, and is more affordable for low and medium-income households.

Consumers continue to prefer fresh whole chickens to chicken cuts. However, purchases of chicken cuts are increasing slowly, mainly in supermarkets servicing higher-income consumers. Consumption of white meat, CLQs and value-added products continue to increase.

TRADE

Chicken and turkey meat are the primary poultry products imported by Mexico. The processing industry imports most mechanically separated poultry, chicken and turkey (MSC & MST), and poultry cuts as inputs for the domestic sausage and cold-cut industries. Imports of chicken cuts, mainly leg quarters, and mechanically separated chicken (MSC) for MY 2008 are forecast to decrease, despite the greater demand from the processing industry. This decline in imports is mainly attributed to high international chicken prices, which have diverted much of the U.S. exportable supply to third-country markets such as China and Russia, as well as greater domestic production. Imports of chicken meat for MY 2007 were revised downward from previous estimates to reflect lower demand from the processing industry, but also due to the effect of higher corn prices. MY 2006 import data remains unchanged. The United States is the main supplier of chicken meat to Mexico. However, Chile's presence in the poultry market is expected to continue to increase as importers seek to hedge their risk by diversifying their supply channels.

Industry numbers indicate that CLQs imported under the poultry safeguard fulfilled the 104,060 MT tariff-rate-quota (TRQ) limit for MY 2007. According to industry trade data, imported CLQs under H.T.S. 0207.13.03 & 0207.14.04 were 112,918 MT as of November 2007. According to official data, the CLQ TRQ for MY 2006 was 100 percent filled.

In recent years, the Mexican export trend of value-added products has been increasing due to the "export culture" that the industry and government of Mexico are developing in the sector (See Policy section). Specifically, the export of value-added products (mainly sausages) has been increasing due to the availability of raw material and a more sophisticated and efficient infrastructure. The Mexican export figures of MSC for MY 2006 and MY 2007, as well as the forecast for MY 2008 were revised upward.

The following table summarizes some of the regulations that are currently being implemented by the Mexican government for imports of live poultry and poultry meat from the United States.

REGULATIONS FOR POULTRY AND POULTRY PRODUCTS EXPORTS

ITEM	RAW POULTRY FOR RETAIL & FOR FURTHER PROCESSING	FULLY COOKED POULTRY MEAT AND EGG PRODUCTS	TABLE, SPF AND HATCHING EGGS	LIVE BIRDS
Export Status All U.S. States	YES	YES	YES ^①	YES
Required Language On Cleaning And Disinfection Of Trucks	YES	NO	YES	YES
Required Sealing Of Trucks At Point Of Origin	NO	NO	NO	YES
Required Language that Product is Fit for Human Consumption and Freely Marketed in the U.S.	YES	NO	^②	^②
Agar Gel or ELISA Test Required	^③	NO	^③	^③
Certification Requirements On END ^④	YES	YES	YES	YES
<p>^① The boxes of table eggs as well as SPF eggs must show the stamp of the competent authority.</p> <p>^② SPF, hatching eggs and live birds should be freely marketed in the U.S.</p> <p>^③ When a plant and farm/flock is registered under the National Poultry Improvement Plant (NPIP), the Agar Gel or ELISA test will not be required; otherwise the tests will be required by SAGARPA.</p> <p>^④ END statement for meat, meat products and by products. - "That the product comes from flocks that have a monitoring program of 70 birds that began after 12 days of age, using viral isolation tests and identification of velogenic strains through a test that indicates intracerebral pathogenicity in chicks of one day of age and that is carried out for each lot that is delivered for slaughter, obtaining negative results for Velogenic Newcastle disease, or that comes from a country free of Velogenic Newcastle Disease. "</p> <p>For additional information regarding poultry meat and egg products exports to Mexico see the web page USDA/FSIS/Export Library at http://www.fsis.usda.gov (Export Requirements for meat and poultry products).</p>				

POLICY

In light of the recent surge in corn prices, the Mexican government (GOM) is looking for the appropriate mechanism to support poultry producers. To this end, the Mexican Ministry of Agriculture (SAGARPA) is working in conjunction with UNA to develop a program to arm the sector with the tools that it needs to become more competitive in the global marketplace. Among the most important issues being discussed is the creation and promotion of "Good Manufacturing Practices" for the poultry industry. This will allow domestic producers to produce value-added products not only for foreign markets, but also for domestic retailers, a market that domestic producers are often excluded from for lack of sanitary controls and federal designations. SAGARPA is also working on the development and promulgation of an "export culture" among producers. The objective of such a program would be to educate producers about the benefits of finding and supplying foreign market niches, particularly for value-added poultry products, such as sausages, ready-to-cook products and cold meats.

Recently SAGARPA announced a series of government support programs intended to help the livestock sector cope with high international corn prices. The "Extraordinary Program" establishes that under the "Forward Contracts" and the "Anticipated Purchases" programs, poultry producers sourcing domestic crops will be granted a subsidy of \$200 pesos per MT. The eligible crops are: yellow and white corn and sorghum from the Tamaulipas, Baja California, Sinaloa and Sonora states.

As previously reported, the SAGARPA import requirements are outlined in the Zoosanitary Import Requirement Sheets (HRZ) by type of products. Currently raw poultry imports are to

comply with one of two options regarding AI testing: a) a negative result on 59 samples to AGID or ELISA tests or; b) that the flock/farm of origin is registered in the U.S. National Poultry Improvement Plan (NPIP). SAGARPA and USDA agreed that the NPIP would be deemed as an equivalent program to the regulation NOM-044-ZOO-1995 "National Campaign against Avian Influenza" that was modified and implemented on August 14, 2006.

MARKETING

Generic advertising campaigns continue to be successful at increasing domestic consumption of poultry products in Mexico. Currently, most poultry meat in Mexico is sold as whole birds. The local industry supplies and delivers whole birds through wholesale public and wet markets overnight to the major cities. Mexico's supermarket segment is growing rapidly, accounting for about 40 percent of overall food sales in Mexico. As the industry expands, the share of poultry sold via supermarkets continues to grow as consumers become more accepting of poultry cuts and other poultry products. The Mexico office of the U.S. Poultry and Egg Export Council (USAPEEC) has actively promoted poultry products and processed products in various large retail and food service exhibitions. USAPEEC will continue to support marketing strategies within the NEPP (NAFTA Egg and Poultry Partnership), which promotes the exchange of information and technical expertise between both the U.S. and Mexican poultry industries.

SECTION II. STATISTICAL TABLES

BROILERS WET MARKET PRICES

BROILERS ^① WET MARKET PRICES, MEXICO CITY				PESOS/KILOGRAM
MONTH	2005	2006	2007	% Change 06/07
JANUARY	21.63	23.04	27.00	17.18
FEBRUARY	22.38	22.50	24.50	8.88
MARCH	22.50	22.73	21.00	(7.61)
APRIL	22.83	19.25	21.22	10.23
MAY	23.00	26.50	22.96	(13.35)
JUNE	22.00	19.00	26.13	37.53
JULY	22.67	20.33	22.50	10.67
AUGUST	22.17	20.58	23.91	16.18
SEPTEMBER	21.38	21.50	24.86	15.63
OCTOBER	20.25	21.25	25.67	20.80
NOVEMBER	21.75	20.48	30.06	46.78
DECEMBER	19.00	23.58	24.42	3.56
ANNUAL AVG.	21.80	21.73	24.52	12.84

^① WHOLE CHICKEN INCLUDING OFFAL

SOURCE: NATIONAL POULTRY ASSOCIATION, UNA.

CHICKEN LEG QUARTER WHOLESALE PRICES

CHICKEN LEG QUARTER WHOLESALE PRICES, MEXICO CITY				
PESOS/KILOGRAM				
MONTH	2006	2007	2008	% Change 07/08
JANUARY	17.00	21.06	22.05	4.7
FEBRUARY	17.96	20.61	N/A	N/A
MARCH	18.91	18.23	N/A	N/A
APRIL	18.30	19.99	N/A	N/A
MAY	20.87	25.07	N/A	N/A
JUNE	24.66	23.81	N/A	N/A
JULY	18.57	23.99	N/A	N/A
AUGUST	22.42	24.78	N/A	N/A
SEPTEMBER	20.05	23.65	N/A	N/A
OCTOBER	20.00	20.50	N/A	N/A
NOVEMBER	21.66	23.79	N/A	N/A
DECEMBER	24.50	24.46	N/A	N/A
ANNUAL AVG.	20.41	22.49	N/A	N/A

SOURCE: NATIONAL INFORMATION MARKET SERVICE, (SNIIM)

2006 EXCHANGE RATE AVG.: U.S. \$1.00 = 10.90 PESOS

2007 EXCHANGE RATE AVG.: U.S. \$1.00 = 10.95 PESOS

EXCHANGE RATE JANUARY 2008: U.S. \$1.00 = 10.44 PESOS

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS

Jan-Oct 2007

H.S. TARIFF NUMBER	DESCRIPTION & COUNTRY OF ORIGIN	VOLUME MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S. & SUBTOTAL (Thousand head)	1,944
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	
	U.S. & SUBTOTAL (Thousand head)	646
0105.11.99	Other	
	U.S. & SUBTOTAL	112
0105.19.99	Other (Chickens)	
	U.S. & SUBTOTAL (Thousand head)	4,750
0207.11.01	Other fresh or chilled whole poultry	
	U.S. & SUBTOTAL	9,575
0207.12.01	Other frozen whole poultry	
	U.S. & SUBTOTAL	1,433
0207.25.01	Whole frozen turkey	
	U.S.	5,946
	CHILE	1,526
	OTHER	0
	SUBTOTAL	7,472
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S. & SUBTOTAL	829
0207.26.01	Mechanically deboned turkey meat	
	U.S. & SUBTOTAL	8,239
0207.26.99	Fresh & chilled turkey parts	
	U.S. & SUBTOTAL	96,372
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. & SUBTOTAL	101,953
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	41,533
	CHILE	2,613
	SUBTOTAL	44,146
0207.13.99	Fresh & chilled chicken parts	
	U.S. & SUBTOTAL	6,008
0207.14.99	Frozen poultry parts	
	U.S.	11,973
	OTHER	6,521
	SUBTOTAL	18,494
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
	U.S.	51,577
	OTHER	254
	SUBTOTAL	51,831
0207.14.04	Chicken Leg Quarter, Frozen	
	U.S.	53,640
	OTHER	223
	SUBTOTAL	53,863
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	8,406
	OTHER	1,424
	SUBTOTAL	9,830
0207.27.99	Frozen turkey parts	
	U.S.	30,263
	OTHER	4,893
	SUBTOTAL	35,156
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. & SUBTOTAL	54
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. & SUBTOTAL	3
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S. & SUBTOTAL	2,477

H.S. TARIFF NUMBER	DESCRIPTION & COUNTRY OF ORIGIN	VOLUME MT
1601.00.01	Sausages of broiler or turkey	
	U.S.	16,264
	OTHER	24
	SUBTOTAL	16,288
1602.31.01	Processed meat (Turkey)	
	U.S.	2,653
	OTHER	230
	SUBTOTAL	2,883
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	8,149
	OTHER	251
	SUBTOTAL	8,400
1602.39.99	Other processed poultry meat	
	U.S.	14
	FRANCE	15
	OTHER	3
	SUBTOTAL	32
0207.13.02	Chicken carcasses	
	U.S. & SUBTOTAL	16,420
0207.14.03	Chicken carcasses	
	U.S. & SUBTOTAL	84
0207.26.02	Turkey carcasses	
	U.S. & SUBTOTAL	0
0207.27.03	Turkey carcasses	
	U.S. & SUBTOTAL	0

SOURCE: GLOBAL TRADE INFORMATION SERVICES, INC. "WORLD TRADE ATLAS" MEXICO EDITION, OCTOBER 2007.